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# Hope for the West— And a Warning

Since becoming Chancellor of West Germany last year, Helmut Schmidt has achieved extraordinary popularity at home and influence abroad. *Time* magazine characterizes him as "the most confident and impressive leader in Europe, or probably the West, today." An economist who had a distinguished career as Defense Minister and Finance Minister, Chancellor Schmidt is a handsome man with steel-gray hair and piercing blue-gray eyes. He speaks eloquently in English and German. However, his stature gives more from the success of his ideas than from his undoubted personal appeal. Under his stern fiscal policies, West Germany has attained the second-highest per-capita income among the major nations of the world, while maintaining the lowest inflation rate and one of the lowest unemployment rates of the industrialized democracies.

Chancellor Schmidt is profoundly committed to the concept of Western unity. Recently, he sat down with an old friend, former U.S. Defense Secretary Melvin R. Laird, to discuss the present peril and future prospects confronting the West. The following are highlights from their extremely candid conversation, offering provocative insights for every citizen of the Western world.

## A dialogue with

WEST GERMAN CHANCELLOR

HELMUT SCHMIDT

**Laird:** Any leader of a great nation now faces a daily bombardment of problems—inflation, recession, energy costs, the Soviet buildup, and on and on. What do you think threatens us most?

**Schmidt:** I think the greatest danger to the Western world today lies in a state of mind. Too many of our people have come to look upon affluence and a democratic, free society

as rights guaranteed for all times.

They take it for granted that income, living conditions and social justice will automatically improve every year. They fail to appreciate that freedom and prosperity must be constantly earned and renewed through work, vigilance, risks and even sacrifice. When people believe that their well-being and liberty are permanently guaranteed, they feel that they themselves don't have to do anything. I think this attitude is our greatest danger.

**Laird:** Certainly, I agree. But can a democratic leader afford to campaign on a platform calling for sacrifice when his opponents can make all kinds of alluring promises? How can he stay in office?

**Schmidt:** You have to tell people the hard facts, the unpleasant truths, candidly, even if for the moment they don't like it. You cannot deceive your audience, because you can't expect citizens to make sacrifices if they are not shown why the sacrifices are necessary. How can the individual conclude entirely on his own that he should forgo a wage increase or tax relief unless his leaders clearly explain the reasons? He has to be told, to be challenged. If a leader does this courageously, he will be re-elected.

**Laird:** What sacrifices do you feel are most required?

**Schmidt:** They are those needed to overcome our most important and oppressive problem—the worldwide recession, which is the worst since the 1930s. To extricate ourselves from this situation, we must understand how we got into it in the first place. The recession's main cause was inflation and, frankly, the main source of world inflation was the United States—nobody else. You tried simultaneously to finance a costly war and expensive domestic programs through deficit spending—leading ultimately to a disturbing deterioration of the dollar's value.

Meanwhile, some nations ran up big deficits by yielding to exagger-

ated demands upon the gross national product coming from the various interest groups. If you yield to demands that total, say, 110 percent of your GNP, the only way to satisfy these demands is to increase prices by 10 percent. As wage earners suffered from this inflation, trade unions had to ask for higher nominal wages. Some countries here in Europe even saw wage increases of 30 percent a year. This, of course, did nothing but accelerate the inflation. Some central banks also failed to follow restrictive monetary policies, and simply printed money to fulfill numerous claims. In addition, there was a quadrupling of prices. As a result, Western economies stagnated. Economic growth has stopped in Europe, and U.S. output has even declined.

Until the overall output of society is expanded, there can be no increase in real income, as opposed to paper income. Labor must be interested in corporate profits, and management must invest these profits in enlarge production and multiplying jobs. We have suffered less in Germany because our trade unions have been far-sighted and disciplined enough to realize this. As a result, our workers up until now have enjoyed ever greater real income.

Governments themselves must exercise restraint. By cutting back their own spending, particularly on personnel and administrative matters, governments can redirect expenditures more strongly toward

ment, and thereby transform into capital that can be used to create jobs.

*rd:* What you say provides a example of why the people be told the truth. Had the rican people been frankly asked to make some sacrifices, I believe a city would have preferred to the costs of Vietnam and our programs through higher rather than incur the def that have proved so disastrous. This raises a major issue that still struggling with: How of our resources should we use for domestic needs and how for defense? Are we exaggerating the threat posed by the United Union?

*hmidt:* Not at all. While we should persist in our efforts toward peace, we cannot afford to delude ourselves about the danger in the existing Soviet military buildup. As has been said, it is useless for us to pass resolutions in favor of disarmament while the wolf remains of a different opinion.

There is no dispute among interested authorities in Europe and America about the absolute necessity of maintaining the balance of power. There is a chance of limiting arms race in strategic weapons; any such limitations will by no means signal an end to the arms race in general.

With the exception of ground troops, the West so far has been able to maintain the military balance. Balance is not in any case a mathe-

matical equation—so and so many tanks on each side, for instance. Not only does the term mean quantity and quality; it has a political-psychological component, too. As long as the other side fears that any adventure it undertakes may lead to trouble unacceptable to itself, the



Chancellor Helmut Schmidt

deterrent is effective. Meanwhile, we must not leave vulnerable any geographical areas. And I am really worried about the Soviet naval buildup in the oceans of the world—particularly in the Mediterranean.

But, again, I would emphasize that the greatest threat to the West presently is the worldwide economic recession. To resist external pressures, we need inner stability. It is as important as good armies. But neither this nor détente diminishes

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the necessity of remaining prepared to defend ourselves.

*Laird:* What specific actions should we take to cope with these internal and external dangers?

*Schmidt:* First, I must say something that may not be popular either here or in America. The United States must be the leader in the world economy. Like it or not, the United States is the pacemaker in all global business cycles. This puts a heavy burden on American shoulders. You not only have to steer your own economy clear of the rocks of inflation and unemployment. To a large extent, you must also steer the world's economy clear of those rocks.

The psychology of the U.S. economy is most influential. And, in this recession, New York has been for more than 18 months, the world center of pessimism. New York at the same time is the seat of the majority of the multi-national corporations spanning the globe. What the headquarters in New York seems to think, feel or fear is spread throughout the world, evoking restrictions. Fortunately, the United States is on the way to curbing its own inflation. Now you must give highest priority to fighting unemployment.

*Laird:* Our difficulty at the moment is deciding how far we can combat the recession without igniting another explosion of inflation. *Schmidt:* I think you are now on the right course. What is needed is for your government to invest funds to increase production and jobs. We all must focus on real investment

rather than just hand out money for expensive social programs which at this time are not in the workers' own interests.

*Laird:* I agree that the United States ought to put its economic house in order forthwith. But there is widespread feeling that we cannot be expected to solve the problems of the West all by ourselves.

*Schmidt:* Of course not. The solution to our problems requires contributions from each member of the Western alliance; every nation must attend to its own economy at home in a disciplined manner. After all, it is unfair to ask anyone to donate blood to a patient who refuses to swallow the right medicine. We are not asking for anything like that; we are striving for a worldwide attitude of economic reason.

Above all else, we need much closer cooperation among members of the alliance. We should bring together businessmen, financiers, trade-union leaders and government officials for brainstorming sessions. It's particularly important to encourage consultation and communication among Western trade unions. The American labor movement has virtually withdrawn from the international scene, and I think this is very disturbing.

On some matters, such as petroleum, the interests of members of the alliance do not always coincide. So we ought to honestly recognize what our differing interests are, and forge a unified position compatible with those differences. We can then sit

with the oil-producing states seek a mutually advantageous compromise on the petroleum issue. We cannot refuse to discuss their concerns while asking them to disarm. In all candor, we must be able to persuade the oil producers that a breakdown of the economic order is not in their interest.

regards defense, increased cooperation again is the key. We can strengthen ourselves and save money by standardizing training, logistics and weapons systems.

Now, we must now pay serious attention to Portugal, where the decision to Portugal, where the decision we hope for has not materialized. Portugal must not be lost partner in the Western alliance. We must make it clear to third parties that we are not prepared to allow a vacuum to exist on the western flank of the alliance. We must not permit the pursuit of détente to erode our will to take whatever action may be necessary to defend our vital interests.

*Schmidt:* To a very substantial degree, I discount overblown talk about Western disarray. When confronted by such great dangers as arose from the Soviet ultimatum over Berlin and the emplacement of missiles in Cuba, the West swiftly demonstrated decisive strength, unity and resolve. Why should we fear that in future crises we shall not act similarly?

As to the ability to react courageously to real crisis now, I have no doubt whatsoever about the United States. I have no doubt about Germany, or the rest of Europe. And, despite the difficulties which the British economy and society are experiencing, now, I have not lost faith in the capacity of the British people to muster necessary strength and resolve—as they have done time and again in dire crises.

Western democracy offers the means for peaceful and constructive change. I am confident that it will survive and flourish. We have the technological and intellectual resources needed to surmount all our problems. We have now only to use them.

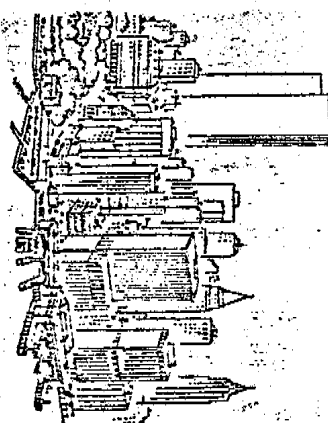
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### To the Letter

Editor James Thurber depended on words for entertainment. He told me once about a trick he played on a nurse during one of his hospital stays. He asked her what seven-letter word had three U's in it. She thought and then said, "I don't know, but it must be unusual."

—Mark Van Doren, quoted by Burton Bernstein in *Thurber* (Doubt, Mead)

### LIFE IN THESE



THE OFFICE AND WORLD TRADE CENTER, NEW YORK CITY  
**UNITED STATES**

A young woman came into our bank to cash a large check. She didn't have an account with us and, since her wallet had been stolen a week before, she had no identification. Suddenly she pointed to the telephone and exclaimed, "Call my doctor! He'll tell you that the person whose name is on that check has the measles." Then, pulling up her blouse at the waist, she added, "See, I have them!" We cashed her check.

—LO ANN AMERINE (*Telecom, Wash.*)

Our family was host to four Arab students whose knowledge of English was good but who were unfamiliar with some idioms. The first evening, we talked about life in American cities. Our guests had read about the problem of crime and were worried.

The next day, when we were in a crowded elevator, a man came running down the corridor, shouting, "Hold it!" Our four Arab wards emitted gasps and raised their arms, signaling surrender. As the bewildered onlookers watched this spectacle, I explained

that my foreign guests had evidently mistaken "I hold it" for "Hold up!" With laughter and sympathy, welcoming handshakes were extended, and invitations tendered, including one from the "hold-up man."

—MRS. M. S. STONE (*Green Haven, Conn.*)

While on a field trip I met a husband-wife teaching team. They told me that at one time they had taught in a small Adirondack community where they divided all the teaching chores, including the administrative work of principal and vice principal, plus physical-education classes, even janitorial duties. I remarked that it must have been difficult, but that there probably were compensations. "Yes," the husband said after a pause. "We always held our faculty meetings in bed."

—LEONARD M. HART (*Greenfield, N.Y.*)

It was a bright, sunny afternoon as the women's Slim and Trim class began exercising in the park.

"Let's do one more push-up today than yesterday," said Florence, our instructor. Some of us completed 20. "Now let's try for 30 leg lifts."

Completing those, Florence called, "It's sit-up time! Ohn on your chest, touch your toes, one . . . two . . . three."

Just then the high-school football team came jogging across the grass. Their path would take them directly in front of us.

Without losing a beat, Florence continued: "One-hundred-four . . . one-hundred-five"—until the incredulous athletes were out of sight.

—GORDON G. SWEETMAN (*Seattle, Wash.*)

ONE EVENING, a gray-haired co-worker of mine was driving home followed by